

Statement
Insurance Association of Connecticut

Select Committee on Veterans' Affairs

February 19, 2009

HB 6408, An Act Concerning Professional Liability Insurance Policies And Members Of
The Connecticut National Guard Called To Active Duty

The insurance industry fully supports Connecticut's valiant service men and women who leave their jobs to serve our country. However, the IAC opposes HB 6408 as drafted. HB 6408 seeks to require that insurers suspend professional liability policies for active Connecticut National Guard personnel during their time of service.

Professional liability policies are "claims made" policies. A "claims made" policy provides coverage for claims made during the policy effective dates. The event giving rise to the claim could have occurred before or during the duration of the policy. Because of the nature of the type of coverage afforded by a professional liability policy a suspension would have the effect of a termination or cancellation. As such the individual would get a return of premium and have no coverage for claims made during the suspension. The effect of the suspension would leave the service person exposed to potential claims, without any coverage for such claims, while serving.

Additionally, HB 6408 would only permit an insurer to deny coverage for events that occur during the suspension period. Such language would in effect mandate an insurer provide coverage for claims made for events that occurred prior to the suspension date, resulting in insurers covering claims for which it received no premium.

To make this section be workable subdivision (d) would have to be amended to clarify that an insurer shall not be required to provide coverage for any claims made during the time of suspension.

Finally, HB 6408 would require an insurer to reinstate a policy upon notification of an individual's return to non-active status, but what would happen if the policy period expired during the individual's active status. Would an insurer be required to reinstate an expired policy? HB 6408 would have to be amended to make it clear that an insurer need not reinstate an expired policy.

For the above stated reasons, the IAC urges your rejection of HB 6408 as drafted.